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OLDER WORKERS ARE GOOD INVESTMENTS:

A CASE STUDY OF DAYS INNS OF AMERICA'S RESERVATION CENTER

THE COMMONWEALTH FUND

Americans Over 55 at Work Program

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The Days Inns Reservation Center

- **Days Inns of America is the nation's third largest hotel chain with over 1,000 hotels and inns internationally**
- **A major reason to franchise with Days Inns is access to its nationwide reservation system**
- **The reservation center operates a sophisticated, 24-hour per day telecommunications system capable of handling nearly any customer inquiry**
- **Days Inns operates two reservation centers:**
  - -- **Original center set up in Atlanta at national headquarters**
  - -- **Second center established in Knoxville in 1989**
  - -- **Combined, the centers handle 23,500 calls per day**

The Use of Older Workers in the Days Inns Reservation Center

- **In 1986, Days Inns began a program of hiring older workers (defined as those 50 and over) in its Atlanta center**

- **Days Inns initiated this program because:**

  -- **It was having difficulty recruiting sufficient numbers of younger workers**
  -- **Younger worker wages were rising rapidly**
  -- **It could not retain younger workers -- turnover was nearly 100%**

- **Currently, Days Inns employs:**

  -- **48 older workers at its Atlanta center -- 26% of total workforce**
  -- **49 older workers at its Knoxville center -- 10% of total workforce**

Keys to Operating a Successful Reservation Center

- **Handle all calls that are made to the center**
  - -- **Recruit a flexible workforce**
  - -- **Recruit a dependable workforce**
- **Book reservations from as many calls as possible**
  - -- **Keep booking rates as high as possible**
- **Keep costs as low as possible**
  - -- **Control labor costs**
  - -- **Keep talk time per call low**

Demographic Makeup of Atlanta Reservation Center, 1990

Younger Workers (Age 49 and Under)	Percent in Age Group
Under 20	9%
20-29	35%
30-39	19%
40-49	11%
Subtotal	74%
Older Workers (Age 50 and Over)	**Percent in Age Group**
50-59	8%
60-69	16%
Over 70	2%
Subtotal	26%

Source: Days Inns of America.

Advantages of Hiring Older Workers

- **Turnover is dramatically lower: 87% of older workers stay on the job 1 year or more versus 30% for younger workers**
- **They can be trained as quickly as younger workers**
- **Absence rates are much lower: 1.4% for older workers versus 3.7% for younger workers**
- **Because they stay on the job longer, the recruiting and training costs of older workers are almost three times lower: $618 compared to $1,742**
- **They are better salespeople: older workers book a room 40.5% of the time versus 40.1% for younger workers**

For Many Job Criteria Older and Younger Workers are Similar

	Younger Workers	Older Workers
Average Age	29 Years	63 Years
Training Time	2 Weeks	2 Weeks
Entry Wage	$4.48	$4.23
Wage After 4 Years Service	$7.12	$7.33
Average Wage	$5.20	$5.47
Percent Part-Time	29%	33%
Percent Female	65%	62%
Health Insurance Costs[a]	$1,552	$1,463

[a] Per participating worker

Source: Days Inns of America. Data for 1989 and 1990.

Older Workers are More Dependable

Percent of Days	Older Workers	Younger Workers
Tardy	7.2%	7.6%
Absent	1.4%	3.7%

Source: Days Inns of America. Data for 1989.

Older Workers Stay on the Job Much Longer

Percent Remaining After:	Older Workers	Younger Workers	Difference (in percentage points)
Six Months	89%	41%	48%
One Year	87%	30%	57%
Two Years	72%	20%	52%
Three Years	53%	10%	43%
Four Years	32%	6%	26%
Average Length of Employment (in years)	3.0	1.0	2.0

Source: Days Inns of America. Data represent experience of workers during years 1987-1990.

Annual Cost of Recruiting and Training Older Workers Less than for Younger Workers

	Older Workers	Younger Workers
Training Costs	$584	$1,646
Recruiting Costs	$ 34	$ 96
Total	$618	$1,742

NOTE: Costs per hire annualized over average length of working career.

Source: ICF analysis of Days Inns of America data for period 1987-1990.

Older Workers are Better Salespeople

Percent of Callers Making a Reservation	Older Workers	Younger Workers	Percentage Difference
First Six Months of Employment	43.0%	38.1%	11.4%
Second Six Months	41.6%	38.2%	8.2%
Second Year	39.1%	40.9%	-4.6%
Third Year	41.2%	42.9%	-4.1%
Fourth Year	39.7%	42.8%	-7.8%
Average	40.5%	40.1%	1.0%

Source: Days Inns of America. Data are for 1990.

Older Workers Take Longer to Handle a Call

Talk Time Per Call (in seconds)	Older Workers	Younger Workers	Difference
First Six Months of Employment	318	193	125
Second Six Months	246	178	68
Second Year	199	163	36
Third Year	202	162	40
Fourth Year	177	169	8
Average	221	175	46

Source: Days Inns of America. Data are for 1990.

Determining Whether Older Workers Are Good Investments

- **Using data based on Days Inns' actual experience, operations of two hypothetical centers analyzed:**
  - **One staffed only with workers under 50**
  - **One staffed only with workers 50 and over**
- **Each assumed to handle 9,000 calls per day**
- **Each center assumed to pay market wages to their workers -- wages in "younger worker" center higher due to tighter labor market for younger workers**
- **Centers compared on the basis of:**
  - **Productivity**
  - **Costs**
  - **Net costs**

Comparisons of the Operations of Two Hypothetical Reservation Centers

	Older Workers	Younger Workers	Difference
Calls Taken	9,000	9,000	0
Reservations Achieved	3,646	3,606	72
Seconds Per Call	221	175	[illegible]
Workers	116	91	25

Source: ICF analysis of Days Inns of America data for period 1987-1990.

Higher Revenue Generated by Older Workers Would Offset Additional Costs (in thousands of dollars)

	Center Staffed Entirely With:	
	Younger Workers	Older Workers
Total Costs	$1,400	$1,785
Additional Revenue Because Older Workers Make More Sales	--	$349
Net Costs	$1,400	$1,436

Source: ICF analysis of Days Inns of America data for period 1987-1990.

Summary of Findings

- **Older workers can effectively operate demanding software at computer terminals**
- **Older workers can be trained in the same time as younger workers**
- **Worker turnover dramatically reduced by hiring older workers**
- **Cost of "older worker" center same as "younger worker" center**
- **These findings verify Days Inns management's belief that older workers solved the turnover problem and provide a supply of competent, willing workers**

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EMPLOYING OLDER WORKERS IN RETAILING

A CASE STUDY OF B&Q plc's "ALL OLDER WORKER" STORE IN THE U.K.

THE COMMONWEALTH FUND

Americans Over 55 at Work Program

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Background on B&Q

- **Largest chain of British Do-It-Yourself stores (280) (very large hardware, housewares, construction equipment stores)**
- **Revenue = £905 million ($1.6 billion) (year ending January 1991)**
- **Employment = 15,000 overall; 50 per store average**
- **B&Q in existence for 22 years; has four major, nationwide competitors**

B&Q's Human Resources Concerns

- **Problems in Staffing Stores**
  - -- **High turnover among store employees (as high as 100% annually)**
  - -- **Recruiting difficulties**
  - -- **Low "Customer Care" among some store employees (translate: typical young employee uninterested in contact with customers)**
  - -- **Low "product knowledge" among many store employees (translate: typical young employee has little do-it-yourself, homeownership experience)**
- **Concern about impending demographic shifts and resulting slower growth of younger labor force**

B&Q's Recruitment Strategy

- **Match employees more closely to company's needs**
  - -- **Hire more part-timers**
  - -- **Hire persons more likely to desire longer-term employment relationship**
- **More carefully recruit to ensure that**
  - -- **Employees are knowledgable about homeowner problems, solutions, tools, etc.**
  - -- **Employees are well-disposed to customer contact**
  - -- **Employees are competent numerically and can match products with verbal descriptions**
- **Older workers appeared to have high potential to fulfill each goal**
- **More women "returners" also hired**

B&Q's Steps to Increase Employment of Older Workers

- **B&Q management sought to increase employment of older workers in stores**
- **Store managers, who have substantial autonomy, resisted change; thought older workers could not do the job**
- **B&Q management decided to demonstrate capabilities of older workers by staffing an entire store with workers aged 50 and older**
- **Store in Macclesfield (South of Manchester) opened in October 1989, entirely staffed with older workers**
- **Promising results plus desire to demonstrate that success of older workers at Macclesfield store was not a fluke led to opening an "all older worker" store in Exmouth in Southwest Britain**
- **B&Q management feels case for older workers has been made**
- **Corporate goal of 10% older worker employment across the company by end of 1991 has been set (up from 7% now)**

Structure of Analysis

- **Macclesfield compared with five stores selected from areas of similar employment and demographic structure and with similar sales levels.**

- **Data obtained from Macclesfield and five comparison stores on: profit rate; labor turnover; absenteeism; and "leakage" of goods (through theft, damage, and non-delivery) to determine relative performance on quantitative measures.**

- **Data put into index number form, with Macclesfield set at 100, and comparison stores different from 100 in proportion to actual differences, to preserve confidentialty of competitive business information. Most data below presented in this form.**

- **Caveats**

  -- **Early returns (first 47 weeks of operation)**
  -- **No attempt to reflect differences in store manager effectiveness and extent of competition**

Advantages of Hiring Older Workers

- **Profits higher by 18% in older worker store**
- **Staff turnover dramatically lower: nearly 6 times less than comparison stores**
- **Less absenteeism: 39% less than comparison stores**
- **Lower "leakage": 59% less in older worker store**

Macclesfield and Comparison Stores: Sales and Employment Data

	Sales	Number of Employees	Full-time Equivalent Employees	Average Age of Employees
Macclesfield	100	57	36	57
Store A	93	52	29	28
Store B	90	42	33	26
Store C	97	45	34	26
Store D	83	52	27	28
Store E	92	51	25	29
5 Store Average	91	48	30	27

Source: B&Q.

Macclesfield and Comparison Stores: Profitability

Profit/Sales	
Macclesfield	100
Store A	94
Store B	78
Store C	112
Store D	84
Store E	58
5 Store Average	85

- Macclesfield profitability exceeded management targets for start-up period
- Macclesfield profitability exceeded average of comparison stores by 18%

Macclesfield and Comparison Stores: Turnover

Annual Labor Turnover	
Macclesfield	100
Store A	689
Store B	618
Store C	373
Store D	478
Store E	654
5 Store Average	562

- Turnover: Ratio of number of employees resigning during the year to total employment
- Actual turnover between 10% and 90%
- Macclesfield turnover nearly six times less than average of comparison stores

Macclesfield and Comparison Stores: Absenteeism

Average Number of Days Absent from Work	
Macclesfield	100
Store A	202
Store B	139
Store C	251
Store D	102
Store E	129
5 Store Average	165

- Macclesfield workers absent 39% less frequently than workers in comparison stores
- Demonstrates better work ethic of older workers
- Management believes that older workers (a) are more careful on the job and have fewer work-related injuries and (b) self-select so that unhealthy workers do not apply

Macclesfield and Comparison Stores: Leakage

	Leakage/Sales
Macclesfield	100
Store A	241
Store B	375
Store C	203
Store D	92
Store E	299
5 Store Average	242

- Leakage: difference between stock expected in store and stock actually in store; includes -- theft, damage, goods never received
- Leakage at Macclesfield less than half of 5 store average
- Management believes leakage low because older workers pay more attention to customers

Qualitative Results to Date in Macclesfield Store

- **Many educated and experienced older people applied for positions**
- **Keeping the store fully staffed has presented no serious problems (some difficulty in staffing weekend slots)**
- **Based on market research surveys, customers have perception that staff are friendly and cooperative; customers are more likely to ask questions of sales staff**
- **Older workers are willing to work overtime (work average of 8 hours per month)**
- **Heavy lifting has not been a problem ("two can, more safely, lift what one youngster can")**
- **Initially, additional training time was provided to older workers for Macclesfield store, but based on experience at the Macclesfield and Exmouth stores, training time and content is now the same for all workers (trainers note that older workers ask demanding questions; younger workers rarely ask questions)**

Summary of Findings

- **Macclesfield results better than average of 5 comparison stores in terms of profitability, employee turnover, absenteeism, and leakage**
- **Management highly satisfied on "customer care" issues**
- **B&Q central management thinks:**
  - **Macclesfield store is a demonstrated success and that Exmouth store will enhance "demonstration" effect**
  - **Sufficient evidence exists that older workers can do the job to persuade store managers actively to recruit older workers**
  - **Older workers can be trained in same time as younger workers**
  - **Company-wide goal of 10% over 50 employment by the end of 1991 makes sense (up from 7%)**

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USING RETIREES TO FILL TEMPORARY LABOR NEEDS:

A CASE STUDY OF THE TRAVELERS CORPORATION RETIREE JOB BANK

THE COMMONWEALTH FUND

Americans Over 55 at Work Program

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The Travelers Corporation Retiree Job Bank

- **Established in 1979 to staff a special hotline responding to customer service complaints at Travelers Headquarters in Hartford**
- **In 1985, the job bank was expanded to include non-Travelers retirees**
- **In January of 1990, the program was again expanded to include younger people, forming an in-house temp agency called TravTemps**
- **Today, over 700 retirees are registered for the program**
- **Currently in an average week, 250 retirees and 150 other TravTemps fill positions, meeting more than 90 percent of all requests**

Characteristics of Retirees in the Travelers' Job Bank

Average Age	**67 years**
Percent Female	**70%**
Average Hours Worked Per Year (Approximately 1/3 of full-time)	**516**

Source: The Travelers Corporation.

Keys to Operating a Successful Temporary Program

- **Maintain pool of temporaries with a diverse set of skills**
- **Find highly motivated, dependable workers**
- **Keep costs as low as possible**

Advantages of Using Retirees as Temporaries

- **Avoids temporary agency fees and sales tax, saving close to $900,000 a year**
- **Expands pool of available temps**
- **Avoids additional fringe benefits costs because retirees are already covered by medical plans**
- **Capitalizes on firm/retiree relationship**
  - -- **Retirees are familiar with firm and its jobs**
  - -- **Firm is familiar with retirees' abilities**
- **Improves morale of entire workforce**
  - -- **Younger employees see firm as "taking care of its own"**
  - -- **Retirees may be more motivated than unaffiliated temps**

Types of Jobs Filled by Travelers' Retiree Job Bank

Unskilled Production	43%
Receptionist Typist	16%
Administrative Support	12%
CRT/Data Entry	16%
Secretary	4%
Professional	3%
Word Processing	2%
Technical	2%
Other	2%

Source: The Travelers Corporation.

Retirees are More Motivated Than Agency Temporaries

- **Require little training or explanation about nature of their assignments**
- **Have much lower absentee rates**
- **Are more frequently requested by supervisors**

Expenses Included in Cost Comparisons

RETIREE JOB BANK COSTS:

- **Labor**
  - -- **Wages**
  - -- **Social Security (employer's contribution)**

- **Administration**
  - -- **Staff Salaries and Benefits**
  - -- **Rent and Parking**
  - -- **Telephone, Postage, and Delivery**
  - -- **Furniture, Equipment, and Maintenance**
  - -- **Office Supplies, Data Processing, and Reproduction**
  - -- **Corporate Communication Charges and Advertising**
  - -- **Building Operations and Library Charges**

INDEPENDENT AGENCY COSTS

- **Payments to Agencies, including hourly wage**
- **Sales Tax**

Estimated Savings of the Travelers' Retiree Job Bank, 1989

Costs	Retirees	Independent Agency Temps
Wages	$1,847,000	$2,862,000
Other Labor Costs	202,000	0
Administration	157,000	0
Sales Tax	0	215,000
TOTAL	$2,206,000	$3,077,000

ESTIMATED ANNUAL SAVINGS = $871,000

Source: ICF analysis.

Comparison of Hourly Compensation Costs: Retirees Versus Independent Agency Temps, 1989

Job Type	Retirees	Independent Agency Temps	Savings
Professional	15.76	23.23	7.47
Technical	17.53	a	a
Administrative Suppo[illegible]	11.33	17.40	6.07
Word Processors	11.28	20.14	8.86
CRT/Data Entry	10.60	14.85	4.25
Secretaries	12.59	20.80	8.21
Receptionist/Typist	9.03	14.89	5.86
Unskilled Production	8.53	12.46	3.93

[a] Independent agencies cannot fill this job type.

Source: The Travelers Corporation.

Productivity of Retiree Temporaries

- **Do not need extensive orientation about work assignment**
- **Familiar with corporate culture**
- **Much lower absentee rates**
- **More highly rated by supervisors**

Summary of Findings

- **Setting up a company job bank to hire retirees as temporary workers is good for the company**
  - -- **Saves money**
  - -- **Provides pool of dependable, motivated workers who are familiar with the company**
  - -- **Improves customer service**
  - -- **Is good for morale of the entire workforce**
- **Since initiating the program in 1979, the Travelers Corporation has allowed it to grow and evolve; it is now an independent in-house temporary employment agency, TravTemps, which also hires non-Travelers retirees and younger people**